

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

THE REGISTRANT MEETS THE CONDITIONS SET FORTH IN
GENERAL INSTRUCTION H(1)(a) AND (b) OF FORM 10-Q AND
IS THEREFORE FILING THIS FORM WITH THE REDUCED DISCLOSURE FORMAT

(Mark One)

X Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of
1934

For the quarterly period ended September 30, 2006

Or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of
1934

For the transition period from to

Commission File No. 333-30761

CALIFORNIA INFRASTRUCTURE AND ECONOMIC
DEVELOPMENT BANK SPECIAL PURPOSE TRUST SDG&E-1
(Issuer of the Certificates)

SDG&E FUNDING LLC
(Exact Name of Registrant As Specified In
Its Certificate of Formation)

Delaware 95-1184800

(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

101 Ash Street, Room 111, 92101
San Diego, California

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (619) 696-2328

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X No

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

PART I

Item 1. Financial Statements

SDG&E FUNDING LLC
STATEMENTS OF OPERATIONS AND CHANGES IN MEMBER'S EQUITY
(In thousands of dollars)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2006	2005	2006	2005
	(unaudited)		(unaudited)	
INCOME				
Interest income	\$1,457	\$2,496	\$5,094	\$8,198
Other income	276	275	842	850
Total Income	1,733	2,771	5,936	9,048
EXPENSES				
Interest expense	1,569	2,606	5,427	8,529
General & administrative	164	165	509	519
Total Expenses	1,733	2,771	5,936	9,048
NET INCOME	--	--	--	--
Member's equity at beginning of period	3,290	3,290	3,290	3,290
MEMBER'S EQUITY AT END OF PERIOD	\$3,290	\$3,290	\$3,290	\$3,290

See note to financial statements.

SDG&E FUNDING LLC
BALANCE SHEETS
(In thousands of dollars)

	September 30, 2006 (unaudited)	December 31, 2005
ASSETS		
Current Assets:		
Cash	\$ 565	\$ 565
Interest and other receivables	5,713	5,222
Current portion of transition property	65,800	65,800
Total Current Assets	72,078	71,587
Noncurrent Assets:		
Transition property	10,740	58,804
Deferred financing costs	818	1,309
Restricted funds	25,263	28,405
TOTAL ASSETS	\$ 108,899	\$ 160,105
LIABILITIES AND MEMBER'S EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 65,800	\$ 65,800
Overcollections from SDG&E customers	22,073	25,215
Total Current Liabilities	87,873	91,015
Long-term debt	17,736	65,800
Total Liabilities	105,609	156,815
Member's Equity	3,290	3,290
TOTAL LIABILITIES AND MEMBER'S EQUITY	\$ 108,899	\$ 160,105

See note to financial statements.

SDG&E FUNDING LLC
STATEMENTS OF CASH FLOWS
(In thousands of dollars)

	Nine Months Ended September 30,	
	2006	2005
	(unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ --	\$ --
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of deferred financing costs	491	490
Increase in interest and other receivables	(491)	(515)
Increase (decrease) in overcollections from SDG&E customers	<u>(3,142)</u>	<u>2,982</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>(3,142)</u>	<u>2,957</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Collection of transition property from SDG&E	48,064	47,998
Payments on long-term debt	<u>(48,064)</u>	<u>(47,998)</u>
NET CASH PROVIDED BY FINANCING ACTIVITIES	<u>--</u>	<u>--</u>
CASH FLOWS FROM INVESTING ACTIVITIES:		
Decrease (increase) in restricted funds	<u>3,142</u>	<u>(2,982)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>3,142</u>	<u>(2,982)</u>
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	--	(25)
CASH AT BEGINNING OF PERIOD	<u>565</u>	<u>565</u>
CASH AT END OF PERIOD	<u>\$ 565</u>	<u>\$ 540</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Interest payments	<u>\$ 5,490</u>	<u>\$ 8,605</u>

See note to financial statements.

SDG&E FUNDING LLC
Note to Financial Statements

Basis of Presentation

This Quarterly Report on Form 10-Q includes the financial statements of SDG&E Funding LLC, a Delaware special-purpose limited-liability company, whose sole member is San Diego Gas & Electric Company (SDG&E or the company), a provider of electric and natural-gas services. SDG&E is a wholly owned subsidiary of Sempra Energy. Information in this quarterly report is unaudited and should be read in conjunction with SDG&E Funding LLC's Financial Statements and Notes to Financial Statements included in its 2005 Annual Report on Form 10-K and in its Quarterly Reports on Form 10-Q for the quarterly periods ended March 31, 2006 and June 30, 2006.

Management of SDG&E Funding LLC believes that the accompanying unaudited statements reflect all adjustments that are necessary to present a fair statement of the financial position and results of operations for the interim periods. All material adjustments are of a normal, recurring nature unless otherwise disclosed in this Quarterly Report on Form 10-Q. Results of operations for interim periods are not necessarily indicative of results to be expected for a full year.

SDG&E Funding LLC was organized for the limited purposes of issuing Notes, and holding and servicing Transition Property. Notes are SDG&E Funding LLC Notes, Series 1997-1, Class A-1 through Class A-7 (presented in the financial statements as Long-Term Debt), secured by the Transition Property and other, limited collateral. Transition Property is the right to be paid a specified amount (presented in the financial statements as Transition Property) from nonbypassable charges, frequently referred to as FTA Charges, levied on residential electric customers and small commercial electric customers of SDG&E. The nonbypassable charges were authorized by the California Public Utilities Commission pursuant to the electric industry restructuring mandated by California Assembly Bill 1890, as amended by California Senate Bill 477.

Since SDG&E Funding LLC is a single-member, limited-liability company, its federal income tax effects and its State of California franchise tax effects accrue to SDG&E.

Item 2. Management's Narrative Analysis of the Results of Operations

The following analysis of the financial condition and results of operations of SDG&E Funding LLC (the Note Issuer) is in an abbreviated format pursuant to Instruction H of Form 10-Q. Such analysis should be read in conjunction with the Financial Statements and Note to Financial Statements included in Item 1 above and the Financial Statements and Notes to Financial Statements included in the Note Issuer's Annual Report on Form 10-K for the year ended December 31, 2005 and in the Note Issuer's Quarterly Reports on Form 10-Q for the three-month periods ended March 31, 2006 and June 30, 2006.

The Note Issuer is limited by its organizational documents to engaging in the activities of owning certain property created pursuant to the California Public Utilities Code (the Transition Property) and issuing SDG&E Funding LLC Notes, Series 1997-1, Class A-1 through Class A-7 (the Notes) secured by the Transition Property and other limited collateral, and related activities. The Notes were issued pursuant to an Indenture between the Note Issuer and Bankers Trust Company of California, N.A., as trustee. The Note Issuer sold the Notes to the California Infrastructure and Economic Development Bank Special Purpose Trust SDG&E-1, a Delaware business trust (the Trust), which issued certificates corresponding to each class of the Notes in a public offering.

Operating statement effects are limited primarily to income generated from the Transition Property, interest expense on the Notes and incidental investment interest income. The Note Issuer expects to use collections with respect to the Transition Property to make scheduled principal and interest payments on the Notes. Interest income earned on the Transition Property is expected to offset (1) interest expense on the Notes, (2) amortization of debt-issuance expenses and the discount on the Notes, and (3) the fees charged by SDG&E for servicing the Transition Property and providing administrative services to the Note Issuer.

Collections of \$16,634,000 resulted in a net undercollection for the quarter ended September 30, 2006, of \$991,000 after deducting scheduled principal and interest payments of \$17,537,000 and \$88,000 for servicing fees and other expenses. Collections of \$19,116,000 resulted in a net overcollection for the quarter ended September 30, 2005, of \$439,000 after deducting scheduled principal and interest payments of \$18,548,000 and \$129,000 for servicing fees and other expenses.

Collections of \$50,706,000 resulted in a net undercollection for the nine months ended September 30, 2006, of \$3,142,000 after deducting scheduled principal and interest payments of \$53,554,000 and \$294,000 for servicing fees and other expenses. Collections of \$60,002,000 resulted in a net overcollection for the nine months ended September 30, 2005, of \$2,982,000 after deducting scheduled principal and interest payments of \$56,603,000 and \$417,000 for servicing fees and other expenses.

The FTA Charges are adjusted at least annually if there is a material shortfall or overage in collections. Management believes that it is reasonable to expect future collections of FTA Charges to be sufficient to make scheduled payments on the Notes and pay related expenses on a timely basis.

Item 4. Controls and Procedures

The company has designed and maintains disclosure controls and procedures to ensure that information required to be disclosed in the company's reports under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission and is accumulated and communicated to the company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating these controls and procedures, management recognizes that any system of controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired objectives and necessarily applies judgment in evaluating the cost-benefit relationship of other possible controls and procedures.

The company evaluates the effectiveness of its internal control over financial reporting based on the framework in *Internal Control--Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Under the supervision and with the participation of

management, including the Chief Executive Officer and the Chief Financial Officer, the company evaluated the effectiveness of the design and operation of the company's disclosure controls and procedures as of September 30, 2006, the end of the period covered by this report. Based on that evaluation, the company's Chief Executive Officer and Chief Financial Officer concluded that the company's disclosure controls and procedures were effective at the reasonable assurance level.

There has been no change in the company's internal controls over financial reporting during the company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the company's internal controls over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings.

None.

Item 5. Other Information.

Attached, with respect to the Note Issuer and the Trust, as Exhibit 99.1 is the Quarterly Servicer's Certificate for the quarter ended September 30, 2006, delivered pursuant to the Note Indenture. It includes information relating to the collections of the FTA Charges.

Item 6. Exhibits and Reports on Form 8-K.

Exhibits

Exhibit 31 - Section 302 Certification

31.1 Statement of Registrant's Chief Executive Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

31.2 Statement of Registrant's Chief Financial Officer pursuant to Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934.

Exhibit 32 – Section 906 Certification

32.1 Statement of Registrant's Chief Executive Officer pursuant to 18 U.S.C. Sec. 1350.

32.2 Statement of Registrant's Chief Financial Officer pursuant to 18 U.S.C. Sec. 1350.

Exhibit 99 - Miscellaneous

99.1 Third Quarter 2006 Servicer's Certificate.

SIGNATURES

Pursuant to the requirement of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SDG&E Funding LLC,
as Registrant

Date: November 9, 2006

/S/ James P. Trent

James P. Trent
Chief Financial Officer and
Chief Accounting Officer